



Department of Justice

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JUSTICE DEPARTMENT REQUIRES CAPSTAR TO SELL ELEVEN RADIO STATIONS AS PART OF SFX ACQUISITION

WASHINGTON, D.C. -- The Department of Justice reached a settlement today with Capstar Broadcasting Partners, Inc. allowing the company to go forward with its \$2.1 billion acquisition of SFX Broadcasting, Inc. As part of the settlement, Capstar must divest eleven radio stations -- four in Greenville, South Carolina, four in Long Island, New York, one in Pittsburgh, Pennsylvania, one in Jackson, Mississippi, and one in Houston, Texas.

The Department's Antitrust Division said that Capstar competes against SFX for the business of local and national businesses that use radio to advertise in Greenville, Houston, Jackson, Pittsburgh, and Suffolk County, New York. Unless restructured, the Capstar/SFX deal would eliminate this competition, and advertisers in these areas likely would face higher advertising rates or fewer services.

"If this acquisition had been allowed to go forward as originally proposed, businesses that rely on radio to sell their products and services would have had to pay more to advertise," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "The Antitrust Division is

committed to keeping competition in the radio industry vigorous, and we will continue to block radio mergers that harm consumers by leading to excessive concentration of ownership in a single market."

The Department's Antitrust Division filed a civil lawsuit in U.S. District Court for the Eastern District of New York to block Capstar's acquisition of SFX. According to the complaint, the acquisition combines radio station assets in such a way that Capstar and its related entities -- Hicks, Muse, Tate & Furst Incorporated and Chancellor Media Corporation -- would control radio stations accounting for approximately 74% of the radio advertising revenues in Greenville, 43% in Houston, 57% in Jackson, 44% in Pittsburgh, and 65% in Suffolk County of Long Island. Hicks, Muse owns all the stock of Capstar and a significant portion of the stock of Chancellor. Because of this common ownership, the Department says, the market positions of Capstar and Chancellor must be analyzed together in assessing the competitive impact of the Capstar/SFX transaction.

At the same time as it filed its complaint, the Department filed a proposed settlement which, if approved by the Court, would resolve the lawsuit. The proposed settlement requires Capstar to divest radio stations KKPN-FM in Houston, WJDX-FM in Jackson, WTAE-AM in Pittsburgh, and WESC-FM, WESC-AM, WJMZ-FM and WTPT-FM in Greenville. In addition, because Chancellor owns WALK-FM and WALK-AM in Long Island, NY, the proposed settlement would require Capstar to sell SFX's four Long Island radio

stations -- WBLI-FM, WBAB-FM, WHFM-FM and WGBB-AM to preserve competition there.

Capstar, headquartered in Austin, Texas, currently owns and operates 242 radio stations in 70 markets in the United States. In 1997, its revenues were approximately \$302 million. Capstar is wholly owned by Hicks, Muse, an investment fund headquartered in Dallas, Texas. Hicks, Muse also has an ownership in Chancellor Media Corporation and several other entities that operate radio stations.

SFX, a Delaware corporation headquartered in New York City, owns or operates 86 radio stations located in 24 metropolitan areas across the United States. In 1997, SFX's revenues were approximately \$322 million.

Today the Department also filed two other radio merger proposed settlements. Under the first settlement, also filed in U.S. District Court in Uniondale, Long Island, Chancellor Media Company will agree to abandon its efforts to acquire SFX Broadcasting Inc.'s four Long Island radio stations. The case was the Department's first contested court challenge to a radio merger. Under the second proposed settlement, filed in U.S. District Court for the District of Columbia, CBS Corporation could go forward with its \$1.6 billion acquisition of American Radio Systems, so long as it divests seven radio stations -- four in Boston, two in St. Louis and one in Baltimore.

Including today's lawsuits, the Department's Antitrust Division has filed eight cases to restructure radio deals since

the passage of the Telecommunications Reform Act of 1996. Three additional deals have been restructured or abandoned in the face of the Department's competition concerns without going to court.

As required by the Tunney Act, the proposed consent decree resolving the Capstar/SFX lawsuit will be published in the Federal Register, together with the Department's competitive impact statement. Any person may submit written comments concerning the proposed consent decrees during a 60-day comment period to Craig W. Conrath, Chief, Merger Task Force, Antitrust Division, U.S. Department of Justice, Suite 4000, 1401 H Street, N.W., Washington, DC 20005, telephone (202) 307-0001.

At the conclusion of the 60-day comment period, the Federal District Court in the Eastern District of New York may enter the consent decree upon finding that it serves the public interest.

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